

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-473-WS - ORDER NO. 2010-557

AUGUST 16, 2010

IN RE:	Application of Tega Cay Water Service, Inc.)	ORDER GRANTING
	for Adjustment of Rates and Charges and)	PARTIAL RATE RELIEF
	Modifications to Certain Terms and)	
	Conditions for the Provision of Water and)	
	Sewer Service)	

INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (“the Commission”) on an Application for approval of a new schedule of rates and charges for water and sewer services (“Application”) filed by Tega Cay Water Service, Inc. (“TCWS” or the “Company”). TCWS is a National Association of Regulatory Utility Commissioners (“NARUC”) Class B water and wastewater utility. TCWS provides water and wastewater service to certain residents of Tega Cay as well as the City of Tega Cay, located in York County. According to TCWS’s Application, water distribution services were provided to 1,645 residential and commercial customers, and wastewater collection and treatment services were provided to 1,550 residential and commercial customers.

This matter was initiated on February 16, 2010, when TCWS filed an Application with this Commission for the adjustment of its rates and charges and for modifications to certain terms and conditions for the provision of water and sewer service to its customers.

See S.C. Code Ann. §58-5-240 (Supp. 2009). By its Application, the Company sought an increase in annual water and sewer revenues of \$235,621.

The Commission issued a Notice of Filing and Hearing in this matter on February 26, 2010, and instructed TCWS to publish the prepared Notice of Filing and Hearing in a newspaper of general circulation in the areas affected by TCWS's Application. The Notice of Filing indicated the nature of the Application and advised all interested persons desiring to participate in the scheduled proceedings of the manner and time in which to file appropriate pleadings for inclusion in the proceedings. In the same correspondence, the Commission also instructed TCWS to notify each customer affected by the Application. TCWS furnished the Commission with an Affidavit of Publication demonstrating that the Notice of Filing had been duly published and with a letter in which TCWS certified compliance with the Commission's instruction to mail a copy of the Notice of Filing to all customers affected by the Application. The Commission originally set this matter for a full hearing on June 7, 2010, which was subsequently rescheduled for July 13, 2010.

On March 24, 2010, the City of Tega Cay ("City") filed a Petition to Intervene in this matter. Also on March 24, 2010, the Commission issued Order No. 2010-225 granting a request for a local public hearing and ordered the Commission Staff to schedule a public hearing in this case. Under this Order, a public hearing was set and noticed by the Commission to be held at the Glennon Conference Center in the city of Tega Cay on May 19, 2010. Over two hundred (200) residents of Tega Cay were present

at this public hearing and nineteen (19) members of the public addressed the Commission with various concerns regarding TCWS's quality of service, billing, and rates.

Between the filing of the Company's Application and the date of the hearing, the South Carolina Office of Regulatory Staff ("ORS") made on-site investigations of TCWS's facilities, examined TCWS's books and records, and gathered detailed information concerning TCWS's operations.

On July 13, 2010, a hearing concerning the matters asserted in TCWS's Application was held in the Commission's hearing room located at Synergy Business Park, 101 Executive Center Drive – Saluda Building, Columbia, SC. The Commission, with Chairman B. Elizabeth Fleming presiding, heard the matter of TCWS's Application. John M. S. Hoefer, Esquire and Benjamin P. Mustian, Esquire, represented TCWS. Jeffrey M. Nelson, Esquire, represented the Office of Regulatory Staff and James E. Sheedy, Esquire, represented the City of Tega Cay. Randall Dong, Esquire, served as legal counsel to the Commission.

At the outset of the hearing, the Commission heard testimony from one public witness, Representative Ralph Norman of York County.

TCWS presented its case in support of the Application through the testimony of Pauline M. Ahern (Principal of AUS Consultants), Bruce T. Haas (Regional Director of Operations for Tega Cay Water Service, Inc.), Steven Lubertozi (Executive Director of Regulatory Accounting and Affairs for Utilities, Inc.), and Carl Daniel (Regional Vice President for Utilities, Inc.). The Company also presented Karen Sasic (Manager for

Customer Service for Utilities, Inc.) as a witness to respond to specific questions from the Commission.

Ms. Ahern provided testimony on behalf of TCWS concerning her calculations regarding a fair rate of return, including common equity cost rate, capital cost rate and capital structure, and rendered her opinion as to an appropriate rate of return on equity for TCWS on its jurisdictional rate base for water and sewer operations. Mr. Lubertoizzi provided testimony related to the financial information contained in TCWS's Application and rebuttal testimony addressing concerns, issues and adjustments raised in the direct testimony of ORS witnesses Dr. Douglas Carlisle, Christina Stutz and Willie J. Morgan. Mr. Carl Daniels gave both direct and rebuttal testimony, providing a brief overview of TCWS's operations and addressing issues raised by public witnesses at the public hearing held in Tega Cay. Finally, TCWS's last witness, Bruce Haas, provided direct testimony concerning TCWS's operations, maintenance, and system improvements. Mr. Haas additionally provided rebuttal testimony addressing matters raised in the testimony of ORS witness Willie J. Morgan and by public witnesses at the night hearing in this case.

ORS presented the testimony of Ms. Christina Stutz concerning ORS's examination of the Application and TCWS's books and records as well as the subsequent accounting and pro forma adjustments recommended by ORS. Ms. Stutz also provided surrebuttal testimony addressing issues raised in the rebuttal testimony of Mr. Lubertoizzi. ORS witness Dr. Douglas Carlisle provided testimony regarding his analysis, methodology, and opinion in establishing a fair rate of return on equity of TCWS. ORS's final witness, Willie J. Morgan, provided direct and surrebuttal testimony which focused

on TCWS's compliance with Commission rules and regulations, ORS's business audit of TCWS's water and wastewater systems, test-year and proposed revenue, and performance bond requirements. All parties stipulated to introducing into the record the pre-filed direct and surrebuttal testimony of all ORS witnesses without cross-examination.

The City of Tega Cay presented both direct and surrebuttal testimony of Mr. Gerald C. Hartman (Vice President of GAI Consultants, Inc.). Mr. Hartman accepted and supported the audit adjustments of ORS witness Stutz, and incorporated the testimony of ORS witness Carlisle regarding return on equity and resulting rate of return. Mr. Hartman also provided testimony regarding inflow and infiltration on the TCWS sewer system.

In considering the Application of TCWS, the Commission must take into account competing interests; the interests of the customers of the system to receive quality service and a quality product at a fair rate as well as the interest of the Company to have the opportunity to earn a fair rate of return. The Commission must give due consideration to TCWS's total revenue requirements, comprised of both the opportunity to earn a fair return on equity, as well as allowable operating costs. To accomplish this, the Commission must review evidence admitted into the record regarding the operating revenues and operating expenses of TCWS and determine adequate and reasonable levels of revenues and expenses for the Company. The Commission must also establish a fair rate of return on equity based on the record established in this case. If the record

establishes that a rate increase is warranted for the Company, the Commission will set rates which are just and reasonable and free from undue discrimination.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

After thorough consideration of the entire record in the TCWS hearing, including the previously cited testimony and exhibits and the applicable law, the Commission hereby makes the following findings of fact and conclusions of law:

1. TCWS is a corporation organized and existing under the laws of the State of South Carolina and authorized to do business in South Carolina.

2. TCWS is a public utility as defined by S.C. Code Ann. §58-5-10(3) (Supp. 2009) and provides water and sanitary sewer service to the public for compensation in certain areas of the City of Tega Cay, York County, South Carolina and is subject to the jurisdiction of this Commission.

3. TCWS's current rates and charges for both water and sewer were approved by the Commission in Order No. 2006-582 in Docket No. 2006-97-W/S.

4. The appropriate test year period for purposes of this proceeding is the twelve-month period ending December 31, 2008. The test year is contained in the Application of TCWS as well as the testimony and exhibits of the parties' witnesses in this case. The establishment of a test year is a fundamental principle of the ratemaking process. Heater of Seabrook v. S.C. Pub. Serv. Comm'n, 324 S.C. 56, 478 S.E. 2d 826 (1996). The establishment of a test year is used to calculate what a utility's expenses and revenues are for the purposes of determining the reasonableness of a rate. The test year is established to provide a basis for making the most accurate forecast of the utility's rate

base, revenues, and expenses in the near future when the prescribed rates are in effect. Porter v. S.C. Pub. Serv. Comm'n, 328 S.C. 222, 493 S.E.2d 92 (1997). It also provides the Commission with a basis for estimating future revenue requirements. In the present case, the Commission has concluded that the appropriate test year to use is the twelve-month period ending December 31, 2008. No party contested the use of this test year as proposed by TCWS in its Application.

5. In accordance with the Application filed in this case, the Commission will use the rate of return on rate base methodology in determining the reasonableness of TCWS's proposed rates. The Public Service Commission has wide latitude in determining an appropriate rate-setting methodology. Heater of Seabrook, 324 S.C. at 64, 478 S.E.2d at 830. Here, the Applicant has submitted evidence of substantial plant investment, and ORS has conducted its analysis and based its recommendations on a rate of return methodology. No party has raised any objection to the use of the return on rate base methodology in this proceeding.

6. By its Application, TCWS requested an increase in rates and charges of \$235,621 for its combined operations to produce net operating income of \$266,987 after the proposed increase (Schedule B of Exhibit B to Application). By the use of accounting and pro forma adjustments, ORS computed TCWS's proposed increase to be \$240,147, and Net Income for Return after the requested increase to be \$313,590 (total operating revenues of \$1,371,446 less operating expenses of \$1,057,856). Both TCWS and ORS calculations of the amount of the proposed increase were based on the Proposed Schedule of Rates and Charges contained in Exhibit A to the Company's Application.

7. Total Operating Revenues for combined operations for TCWS for the test year per the Company's Application, were reported as \$1,111,222. We accept ORS' calculation of TCWS's test year total operating revenues for combined operations, after accounting and pro forma adjustments, as \$1,131,299. At TCWS's proposed rates, combined operations service revenues, as adjusted, were calculated by ORS to total \$1,371,446. ORS used consumption data provided by TCWS and verified during ORS's examination as a basis for its revenue calculations. We find the method of such calculations to be reasonable and fair and therefore accept the above stated combined service revenue for the test year.

8. The Returns on Rate Base for TCWS during the test year were calculated by ORS Witness Stutz, after recommended accounting and pro forma adjustments to be 4.56% for the test year and 8.59% after calculating the Company's Proposed Increase (Surrebuttal Exhibit CAS-1, Hearing Exhibit 26). Operating Margins for the Company were calculated by ORS Witness Stutz, after recommended accounting and pro forma adjustments to be 3.38% for the test year and 13.50% after the Company's proposed increase. We approve ORS' adjustments and find that TCWS's return on rate base, per its Application, to be 4.56% for the test year ended December 31, 2008.

9. The Commission finds that the conclusions and their bases for establishing an appropriate range for a rate of return on equity for TCWS contained in the testimony of ORS witness Dr. Douglas Carlisle, and supported by the City of Tega Cay witness Gerald Hartman, are accurate, compelling and reasonable. Dr. Carlisle concluded that 9.08% was a reasonable low point and that the top end of his range should be no more

than 10.07%. The Commission therefore finds that a just and reasonable return on equity for TCWS under the current Application and based on the evidence and testimony provided by ORS economist Dr. Douglas Carlisle to be 9.57%, yielding an overall rate of return after the proposed increase of 7.99%.

10. ORS calculated TCWS's test year service revenue for water operations, as adjusted, of \$365,528, wastewater operations, as adjusted, of \$740,210, miscellaneous revenues of \$27,672, as adjusted and uncollectible accounts of (\$2,111), as adjusted. Combined operations revenues were calculated by ORS for the test year, as adjusted, at \$1,131,299. See Surrebuttal Exhibit CAS-1, Hearing Exhibit 26.

11. The Commission finds that the combined operating expenses for TCWS for the test year under present rates and after the appropriate accounting and pro forma adjustments are \$964,579. ORS Witness Stutz offered testimony and exhibits detailing the ORS accounting and pro forma adjustments. See Surrebuttal Exhibits CAS-1 through CAS-4, Hearing Exhibit 26. Witness Stutz's surrebuttal testimony included updated plant in service, chemical expenses and rate case expenses. The revenue impact analysis was performed by ORS and testified to by ORS Witness Morgan, and was adopted by Witness Stutz in her calculations. Details of the revenue calculations are shown on the Exhibits WJM-3 and WJM-4, Hearing Exhibit 29. Plant in service, chemical and rate case expenses included in the net income for return were those received by ORS as of June 30, 2010.

12. ORS Witness Stutz's testimony referred to her Surrebuttal Exhibit CAS-4 – "Explanation of Accounting and Pro Forma Adjustments," Hearing Exhibit 26. The witness explained in detail the thirty-six (36) adjustments proposed by ORS.

13. The Commission finds the accounting and pro forma adjustments proposed by the ORS witnesses Stutz and Morgan, as set forth in each witness's direct and surrebuttal testimony and supported by the City of Tega Cay's witness Hartman, are appropriate for rate making purposes. See Hearing Exhibits 26 and 29.

14. The Commission has further considered the testimony of the City of Tega Cay's witness Hartman with regard to inflow and infiltration of the Company's sewer operations. The Commission agrees that excessive inflow and infiltration is a problem which could have direct adverse impact on customers, inasmuch as extraneous collection and treatment of inflow and infiltration matter generates excess expenses. However, the accounting adjustment recommended by witness Hartman – a reduction in pro forma expenses of \$81,486 – is supported only by data collected more than ten years ago. Because no more recent data was presented upon which we could base a finding of excessive inflow and infiltration and accurately quantify an appropriate adjustment, we must decline to adopt Hartman's recommendation at this time. The Commission expects the Company to monitor the levels of inflow and infiltration and maintain its data and to fully address the issue in its next rate proceeding.

15. The Commission finds that Ms. Stutz's Surrebuttal Exhibit CAS-5, Hearing Exhibit 26, shows the appropriate depreciation and amortization expenses for rate making purposes of \$242,394 and (\$130,230), respectively. Surrebuttal Exhibit CAS-6, Hearing

Exhibit 26, shows the accurate computation of the income tax adjustment. ORS proposed adjustments 1 through 14, 16 through 23 and 30 were accepted by TCWS through the Rebuttal testimony of Witness Lubertozi. Witness Lubertozi did take exception in his rebuttal testimony to adjustments to the Company's Operating Expenses regarding rate case expenses and adjustments for additional plant in service.

16. The Commission finds that by accepting all the adjustments as proposed by witnesses Stutz and Morgan, the Company's current return on rate base is 4.56% and its current operating margin is 3.38% under TCWS's presently approved rates and charges. Therefore, the Commission finds that an adjustment of TWCS's rates and charges is warranted. An increase in rates and charges appears justified for the Company to provide its residential and commercial customers with safe and adequate water and wastewater services.

17. Based on the return on rate base and operating margin for the test year contained in Surrebuttal Exhibit CAS-1, Hearing Exhibit 26, we find that TCWS has demonstrated the need for an increase in rates.

18. When applied to the as adjusted test year operations, the rates requested in the Company's Application result in a Return on Rate Base of 8.59% and an operating Margin of 13.50%.

19. The Commission finds that, based on the testimony of ORS Witness Carlisle, a Return on Equity of 9.57% is a reasonable return for a water and waste water utility such as TCWS; and the Commission finds that an operating margin of 12.23% would provide a reasonable return and operating margin to the Company.

20. In order for TCWS to have the opportunity to achieve a Return on Equity of 9.57%, the net income requirement for TCWS, using the adjusted operating revenues and operating expenses approved herein, is \$291,821. This will effectively yield an operating margin for the Company of 12.23%.

21. In order for TCWS to have the opportunity to earn the herein approved Return on Equity of 9.57%, TCWS must be allowed additional annual water service and sewer revenues of \$204,556. As part of this increase, the Company is directed to file a written report with the Commission and provide a copy to ORS three months from the date of this order detailing customers contacted, the problems encountered, the efforts undertaken, and the results achieved with regard to customer complaints alleging black sediment in the water. Additionally, the Company is directed to increase flushing to once per month to address water quality concerns raised by the public witnesses and as recommended in ORS witness Morgan's testimony.

22. To achieve additional annual water and sewer service revenues of \$204,556 and total operating revenues of \$1,335,855, the rates and fees as set forth in Appendix A attached hereto are approved and found to be just and reasonable.

23. The appropriate operating margin for TCWS based upon the herein approved adjustments and rates is 12.23 %.

24. Regulations promulgated by DHEC under the State Safe Drinking Water Act require the elimination of cross connections to public water systems which have the potential for contaminating safe drinking water. Typically, a cross-connection consists of a separate water irrigation line which may or may not be metered. The DHEC

regulations prohibit any person from installing, permitting to be installed or maintaining a cross-connection unless there is an approved backflow prevention device installed between the public water system and the potential source of contamination. DHEC regulations further require that certain backflow prevention devices be inspected annually by a DHEC certified tester. The modification to the Company's rate schedule provides notice to customers that any cross-connections must be addressed by an approved backflow prevention device, that customers are responsible for the annual inspection, and that customers must provide to the Company the report and results of the inspection no later than June 30th. In the event that a customer does not comply with the requirement to perform annual inspections, after 30 days' written notice, the Company may disconnect water service. ORS does not oppose the proposed language modification requiring water customers to conduct cross connection testing pursuant to 24A S.C. Code Ann. Regs. R. 61-58.7.F (8). However, ORS witness Willie Morgan testified that this non-opposition is predicated upon the condition that the Company be required to provide customers a 30-day advance written notice of the recurring annual date when the customer must have their backflow prevention device tested by a licensed, certified tester.

Furthermore, the Company should be required to include a reference to the DHEC website and the Company's phone number on the notice to respond to customer inquiries. The Company objected to ORS's position that advance written notice to customers be provided. However, we approve the language modification subject to the conditions proposed by ORS. We find that the Company should provide customers a 30-day advance written notice of the recurring annual date by when the customer must have their

backflow prevention device tested by a licensed, certified tester along with contact information.

25. The Company submitted proposed language regarding electronic billing. Mr. Lubertozzi, on behalf of the Company, testified that electronic billing will provide customers with additional billing options. Electronic billing would not be required of all customers, but would only be provided as a service if a customer chooses and when it is within the capability of the Company. Mr. Lubertozzi testified that the customers would appreciate the opportunity to receive and pay their bills online and that they would benefit from the ease and convenience of maintaining their utility account online. ORS witness Willie Morgan testified that ORS is not opposed to the proposed addition of language offering an electronic bill to the customer. ORS's non-opposition is predicated upon the condition that the Company be required to provide customers a monthly electronic notice via email of the billing statement availability and the web address of its location. We approve the proposed language modification to allow the Company to offer its customers electronic billing but also require the Company to provide its customers a monthly electronic notice via email of the billing statement availability and the web address of its location. We note the Company did not object to this requirement.

IT IS THEREFORE ORDERED THAT:

1. TCWS is entitled to rate relief on the basis of its current return on rate base of 4.56% and operating margin of 3.38%.
2. TCWS shall be entitled to charge rates and fees appropriate to obtain a Return on Equity of 9.57% in order to obtain an operating margin of 12.23%.

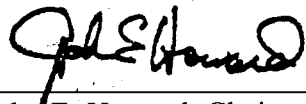
3. The rates and schedules in Appendix A attached hereto are hereby adopted by the Commission and are ordered to be put into effect by TCWS within thirty (30) days of the issuance of this Order, or in the Company's next billing cycle. The schedules shall be deemed to be filed with the Commission pursuant to S.C. Code Ann. §58-5-240 (Supp. 2009).

4. TCWS shall provide customers a 30-day advance written notice of the recurring annual date when the customer must have their backflow prevention device tested by a licensed, certified tester. Also, TCWS shall provide customers a monthly electronic notice via email of the billing statement availability and the web address of its location to those customers selecting to receive bills electronically. Additionally, the Company shall increase flushing to once per month.

5. TCWS shall monitor inflow and infiltration in its sewer operations and remedy any inflow and infiltration levels not within industry standards to ensure that no excess costs associated with inflow and infiltration are passed through to its customers. TCWS shall maintain all data collected in monitoring inflow and infiltration and be prepared to address the issue fully in the next rate proceeding before this Commission.

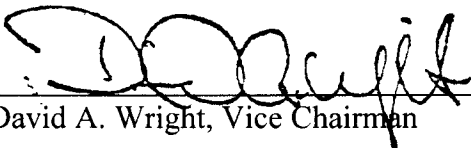
6. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



John E. Howard, Chairman

ATTEST:



David A. Wright, Vice Chairman

(SEAL)

**TEGA CAY WATER SERVICE, INC.
RATES
APPENDIX A**

I. WATER

1. CHARGE FOR WATER DISTRIBUTION ONLY

Where water is purchased from a government body or agency or other entity for distribution by the Company, the following rates apply:

Residential

Basic Facilities Charge per single family house, condominium, mobile home or apartment unit:

\$8.71 per unit*

Commodity charge:

\$2.06 per 1,000
gallons or 134 cft

*Residential customers with meters of 1" or larger will be charged commercial rate

Commercial

Basic Facilities Charge

\$8.71 per single
family equivalent
(SFE)

Commodity charge:

\$2.06 per 1,000
gallons or 134 cft

The Utility will also charge for the cost of water purchased from the government body or agency, or other entity. The charges imposed or charged by the government body or agency, or other entity providing the water supply will be charged to the Utility's affected customers on a pro rata basis without markup. Where the Utility is required by regulatory authority with jurisdiction over the Utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will also be charged to the Utility's affected customers on a pro rata basis, without markup.

Commercial customers are those not included in the residential category above and include, but are not limited to hotels, stores, restaurants, offices, industry, etc.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

2. Nonrecurring Charges

Tap Fees \$600 per SFE*

3. Account Set-Up and Reconnection Charges

a. Customer Account Charge - for new customers only
\$30.00

b. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of Forty dollars (\$40.00) shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-732.5. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected. The reconnection fee shall also be due prior to reconnection if water service has been disconnected at the request of the customer.

4. Other Services

Fire Hydrant - \$117.23 per hydrant

per year for water service payable in advance. Any water used should be metered and the commodity charge in Section One (1) above will apply to such usage.

5. Billing Cycle / Late Payment

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided. Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half (1.5%) percent for each month or any part of a month that said payment remains unpaid.

6. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service, unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

7. Cross Connection Inspection Fee

Any customer installing, permitting to be installed, or maintaining any cross connection between the Utility's water system and any other non-public water system, sewer or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F (Supp. 2008), as may be amended from time to time. Such a customer shall annually have such cross connection inspected by a licensed certified tester and provide to Utility a copy of a written inspection report and testing results submitted by the certified tester in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F (Supp. 2008), as may be amended from time to time. Said report and results must be provided by the customer to the Utility no later than June 30th of each year. If a customer fails to comply with the requirement to perform annual inspections, the utility may, after 30 days' written notice, disconnect water service. The Utility will provide customers a 30-day advance written notice of the recurring annual date when the customer must have their backflow prevention device tested by a licensed, certified tester.

8. Electronic Billing and Electronic Payment

If requested by the customer in writing and within the capability of the Utility, the Utility may, in lieu of mailing a paper copy, provide an electronic bill to the customer on the Utility's website. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-732.2 (Supp. 2008) as may be amended from time to time. The Utility will provide customers a monthly electronic notice via email of the bill statement availability and the web address of its location to those customers selecting to receive bills electronically.

* A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2005), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

II. SEWER

1. Monthly Charges

Residential - charge per
single-family house, condominium,
villa, mobile home or apartment unit: \$39.06 per unit

Commercial: \$39.06 per SFE*

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

The Utility will also charge for treatment services provided by the government body or agency, or other entity. The rates imposed or charged by the government body or agency, or other, entity providing treatment will be charged to the Utility's affected customers on a pro rata basis, without markup. Where the Utility is required under the terms of a 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

2. Nonrecurring Charges

Tap Fees (which includes sewer
service connection charges and
capacity charges) \$1,200.00 per SFE*

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of a non residential customer is less than one (1). If the equivalency rating of a non residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

3. Notification, Account Set-Up and Reconnection Charges

a. Notification Fee

A fee of fifteen (\$15.00) dollars shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

b. Customer Account Charge - for new customers only.

A fee of twenty-five (\$25.00) dollars shall be charged as a one-time fee to defray the costs of initiating service. This charge will be waived if the customer is also a water customer.

c. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of two hundred fifty (\$250.00) dollars shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4.

4. Billing Cycle

Recurring charges will be billed monthly, in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into one of its sewer systems. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule and to comply with the guidelines and standards hereof, shall not be denied service, unless treatment capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving sewer system. In no event will the Utility be required to construct additional wastewater treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

6. Toxic and Pretreatment Effluent Guidelines

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina

Department of Health Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

7. Electronic Billing and Electronic Payment

If requested by the customer in writing and within the capability of the Utility, the Utility may, in lieu of mailing a paper copy, provide an electronic bill to the customer on the Utility's website. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-532.1 (Supp. 2008) as may be amended from time to time. The Utility will provide customers a monthly electronic notice via email of the bill statement availability and the web address of its location to those customers selecting to receive bills electronically.

*A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities --25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2005), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.